CONFERENCE

PRESENTS

Protecting Yourself from Fraud and Violence in the Workplace

The Current Environment:
3 Main Facts

FACT 1:

Change and challenging economic times make organizations more susceptible to fraud and workplace violence while, at the same time, resources dedicated to these two key issues are often cut.

FACT 2:

Failure to address workplace violence and fraud risks impacts the safety of personnel, the bottom line, and organizational reputation.

FACT 3:

There are ways to chart these rough waters without spending large amounts of money.

Objectives

Workplace Violence

- Present the risks and impacts of workplace violence

- Outline low cost actions that can help deal with the risks

Fraud

- Present the risks and impacts of fraud

- Outline low cost actions that can help deal with the risks

Whistleblower Programs

- Outline the benefits of a whistleblower program

Outline

Workplace Violence

- Definitions
- Impacts
- Categories/Types
- Preparedness, Prevention, Response

Fraud

- Definition
- Impacts
- Why Fraud Occurs – the Fraud Triangle
- Best practices

Whistleblower Programs

- Benefits and Best Practices

Finding the
right answer
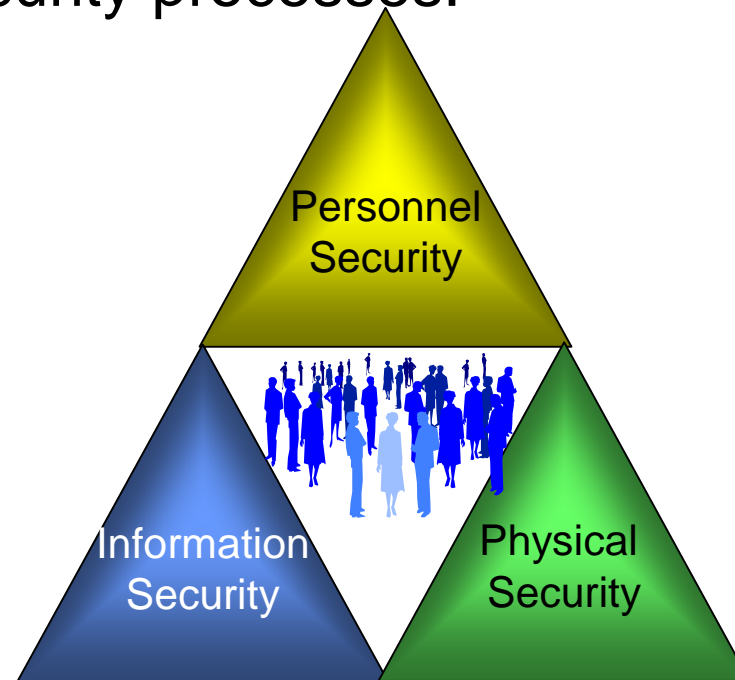starts here.

Workplace Violence

Introduction

Providing total protection for an organization involves three major security processes:

Personnel Security

Information Security

Physical Security

Of these, **personnel security is the MOST CRITICAL.**

Workplace Violence Defined

In Canada, Bill 70 an act to amend the Occupational Health and Safety Act with respect to workplace violence, provides this definition:

"Workplace violence means acts of violence that persons commit in a workplace and includes *acts of physical or psychological violence*, including *bullying, mobbing, teasing, ridicule, and other acts or use of words that can reasonably be interpreted as designed to hurt or isolate a person in the workplace*."

The Employer's Duty to Protect

- Canadian employers are increasingly held to a higher standard in protecting employees from violent and aggressive incidents within the workplace

- Governments and the courts are defining the duty of each employer to furnish his employees a place of employment that is free from recognized hazards that cause, or are likely to cause, death, physical harm, or psychological harm to employees

Federal and Provincial Guidelines

Regulation 296/97 requires employers to:

1. Conduct risk assessments

2. Establish relevant policies and procedures

3. Adhere to the ***DUTY TO WARN*** employees where potential dangers exist

Finding the
right answer
starts here.

Cost of Workplace Violence

- The **National Crime Prevention Council of Canada** estimates the cost of violence in Canada at **$46.3 billion** per year

- These estimates would place the annual cost of workplace violence in Canada at **$7.6 billion on the conservative side**

- It is also conservatively estimated that **1 in 6 violent incidents** in Canada occur in the workplace

Costs In Canada – Absenteeism

The cost of absenteeism alone – a recognized by-product of workplace violence – is growing significantly, **averaging $3,500 per employee per year**

- **Absenteeism represents 17% of payroll**

- **Wage loss claims by hospital workers, from acts of violence and force, have increased by 88% since 1985**

- The average direct cost to employers of a **single episode** of workplace violence is estimated at **$250,000 in lost work time and legal expenses alone**

Finding the right answer starts here.

Facts and Fiction

- Homicide is the leading cause of death for women in the workplace.
- 2/3 of all injuries result from assaults
- 25% by people they know – 16% Stem from domestic violence
- Homicide is the second leading cause of death overall
- Threats/Int./Harass. = 6 million+ (1 in 4 workers ea. Year)
- 80% males /61% in private companies /30% in govt. agencies
- Workplace Violence cost businesses an average of 36 Billion a year.

FICTION

"Perception that it will never involve you"

Workplace Homicide is the fastest growing category of murder in North America
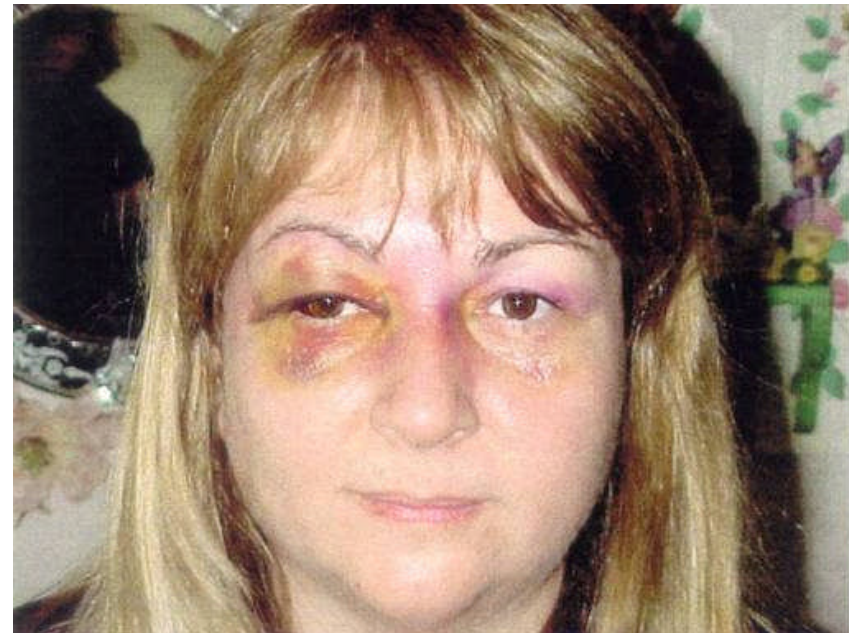
What is Workplace Violence?

Violence:

- Any verbal, physical, or psychological threat or assault on an individual that has the intention or results in physical and/or psychological damage

Workplace Violence Includes

- Threats or obscene phone calls
- Intimidation
- Harassment of any nature
- Being followed or verbally assaulted
- All forms of physical contact with an intent to cause harm
- Psychological trauma
- Communicating a threat (to include non-verbal, vague or covert)
- Disorderly conduct, shouting, throwing or pushing/punching inanimate objects/doors/walls etc.

Finding the
right answer
starts here.

Categories/Types

Type 1 – Criminal Intent

No legitimate relationship to business or employees. Could be an office prowler, thief, rapist or perpetrator looking for a crime of opportunity

- Closely associated to work environment and occupation

  (e.g. Taxi driver, police officer, store clerk, bank employee)
- Deadly weapon is often involved, increasing risk of fatal injury
- Primary motive usually theft, but may involve fleeing criminal
- Greatest risk to jobs that involve exchange of cash, late hours and/or individuals who work alone/isolated

Example: May 2000

- 2 men enter Wendy's in Flushing, NY intending to rob the fast food restaurant.
- Left with $2,400 in cash after shooting seven employees, killing five.

Finding the right answer starts here.

Categories/Types

Type 2 – Customer/Client

Has legitimate relationship with the business and have a reason to be in the building.

- Typically customer/client of the worker
- Act generally occurs in conjunction with the workers normal duties
- At greatest risk – e.g. police, mental health workers, social services related occupations
- Violence in this category may be constant and even routine

Often associated with occupations that
project or possess a level of authority
to with hold, deny or approve service/care.

Type 3 – Worker-on-Worker (Employee)

Perpetrator is an employee or past employee who attacks or threatens another employee(s) or past employee in the workplace.

- No specific occupation or industry more prone than others
- Motivating factor is often one or a series of interpersonal or work related disputes
- Managers/Supervisors may be at greatest risk of victimization

Pejoratively referred to as "Gone Postal"

Finding the right answer starts here.

Type 4 – Personal Relationship

The most common and dangerous. Perpetrator usually does not have a legitimate relationship with organization, but has or had a personal relationship with the intended victim. May involve a current or former spouse, lover, relative, friend, acquaintance

- The perpetrator is motivated by perceived difficulties in the relationship or by psychosocial factors that are specific to the perpetrator

2 Dead In Workplace Murder-Suicide Gunman Kills Man, Wounds Estranged Wife Before Killing Self At California Wastewater Facility

SANTA CRUZ, Calif., April 27, 2007

Case Studies

- **OTTAWA, ON —** Six transit workers are attacked on duty. Four killed and two injured by a colleague who returned to work with a gun after his shift. Investigators suspect that incessant taunting by his co-workers for his stutter was the cause.

- **VANCOUVER, BC —** A Starbucks Coffee employee's estranged husband enters the coffee shop early Sunday morning with the intent to kill his wife. The manager steps in between them to protect her and the assailant stabs the manager multiple times. After falling to the ground wounded, the manager instructs here to run across the street to call police and protect herself. The stab wounds proved fatal.

Case Studies (cont'd)

- **KITCHENER, ON —** A security supervisor was shot and killed, at the postal plant where she worked, by a fellow security guard who was recently fired.

- **ST. THOMAS, ON —** A psychiatric nurse was confronted in the hospital parking lot by an out patient with a gun. The nurse stated that she had been harassed for two years by the man and had formally notified her supervisors of the problem.

- **CHATHAM, ON —** A Sears employee was shot to death in the store where she had worked for 25 years. Theresa Vince was shot by her store manager, who then turned the gun on himself. Vince had previously filed a sexual harassment complaint against the manager, and had notified Sears management of continued harassment and escalation of bullying.

Case Studies (cont'd)

- **MONTREAL, PQ** — 4 members of the engineering faculty at Concordia University gunned down by a disgruntled colleague.

- **SYDNEY RIVER, NS** — 3 people killed and a fourth injured after a botched robbery at a McDonald's restaurant.

- **WATERLOO, ON** — 3 workers shot to death at Ontario Glove, a factory in Waterloo, by co-worker Patrick Dombroskie.

- **KAMPLOOPS, BC** — A government employee killed two co-workers and himself after being told that he was to be terminated

Preparedness | Prevention | Response

General Approach and Focus

While an integrated risk management program is required, different types of workplace violence have different focus areas.

Type 1 (Criminal Intent) and Type 2 (Customer/Client)

Physical Security Focus

- Security policies
- Training and awareness
- Analysis of trends and incidents
- Physical security risk and vulnerability assessments
- Access controls and surveillance systems
- Security personnel and barriers

Tony Lee Jackson
45 years old
5'7" tall
160 pounds

Finding the right answer starts here.

Type 3 (Employee) and
Type 4 (Personal Relationship)

Employee Engagement Focus

- Early detection of warning signs
- Training and awareness
- Systems for reporting of incidents
- Management action and support

Finding the right answer starts here.

Warning Signs and Indicators

Do People Just "Snap"?

No. A violent outburst can be better characterized as the result of a "slow burn"…an accumulation of unresolved personal problems that can or have gone on for years.
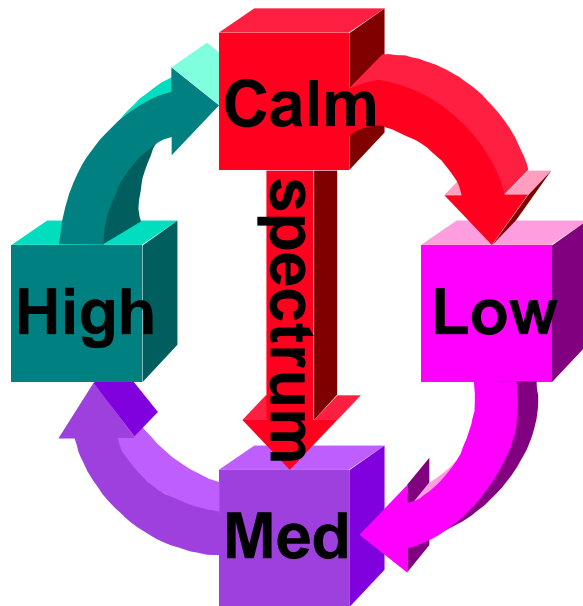
Examples

- A failing personal relationship
- Economic hardships

- Feelings of personal failure
- Actual or perceived injustice in the workplace

Warning Signs and Indicators

Calm

High

Low

spectrum

Med

Spectrum of Violence
Low: Verbal abuse, harassment, and Intimidation
(Corrected by first line supervisor)
Med: Threats and Assaults
(Intervention by TAT and/or Security)
High: Criminal Assault and Homicide
(Criminal prosecution)

Critical Event

Physically Threatening

Verbally Threatening
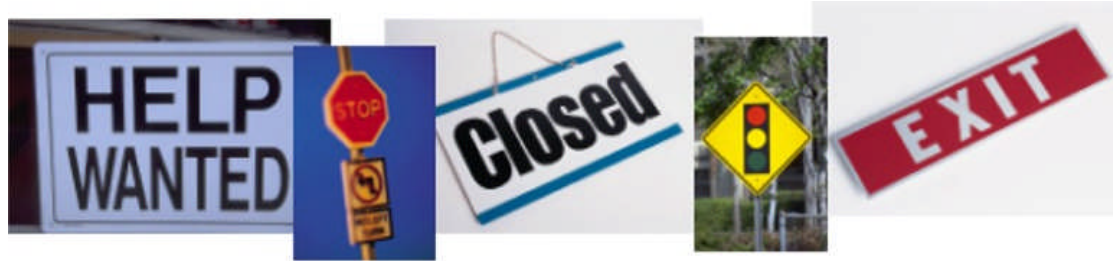
Verbally Hostile

Agitated

Anger Escalation

Calm

Warning Signs and Indicators

Type III – Employee

- History of interpersonal conflict
- Argumentative or uncooperative
- Tends to blame others for problems
- Significant change in behaviour performance, or appearance
- Substance abuse

Type IV – Personal Relationship

- Distraught employee
- Evidence or claims of harassment
- Suspicious person on property
- Domestic Spillover

Toxic Work Environment

Troubled Employee

Trigger Event

DANGEROUS INGREDIENTS

Finding the right answer starts here.

Warning Signs and Indicators

Troubled Employee

Type III Employee:

Personality Traits

- Low self-esteem
- Low productivity
- Low impulse control
- Lacks empathy
- Social withdrawal
- Feelings of rejection
- Resists change
- Feelings of being picked on
- Easily frustrated
- Challenges authority

What to look for…

- Obsessive behavior
- Increased absenteeism
- Chemical dependency
- Verbal threats or threatening actions
- History of discipline problems
- Depression & isolation
- Defensiveness
- Emotional outbursts
- Interests in weapons
- Self-destructive behavior
- Unwarranted anger
- Lashing out

Finding the right answer starts here.

Warning Signs and Indicators

Toxic Work Environment

Type III Employee:

Contributing Factors

- High workplace stress – Productivity qty & qlty, poor prioritization, extended work hours, excitability

- Unusual stress outside of work – personal, family, medical, expense

- Lack of empathy or consideration

- Personality conflicts

- Lack of policy – full spectrum (reporting – post incident)

- Lack of training – dealing with stressed employees, counseling, discipline, conflicts, separation

- Hostile/threatening work environment

- Failure to respond
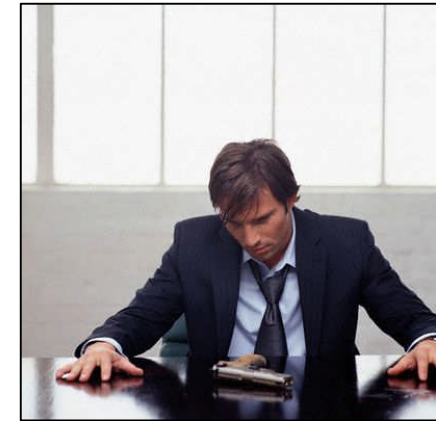
Warning Signs and Indicators

Trigger Event

Type III Employee:

Contributing Factors
- Fired, laid off or suspended; passed over
- Disciplinary action, criticism, poor performance review
- Financial &/or Legal action
- Failed or spurned relationship
- Personal crisis (divorce or death in family)

Key Events / Benchmarks
- Bonus periods, holidays, counseling prds., contract closures, promotions
- Calendar events (Hitlers BD)
- Significant dates – anniversary or scheduled event

Warning Signs and Indicators

Type IV Personal Relationship:
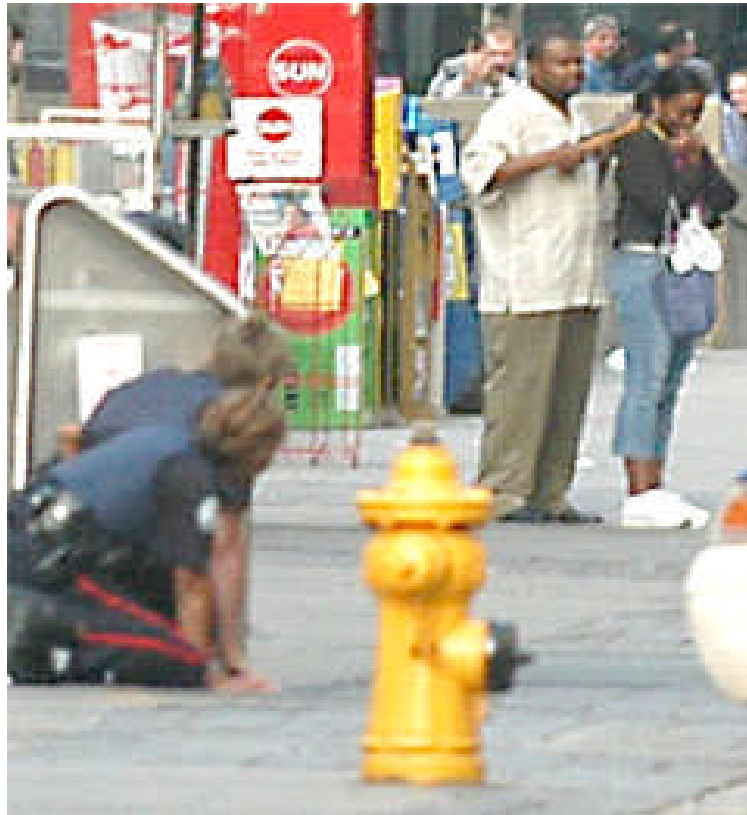
Difficult to detect

- Complex psychological trauma
- Survival instinct and parental bonds

- Discovery and embarrassment
- isolation and desertion
- desperation, fear of confinement
- loss of control
- no options, anger and/or suicide

Offender Characteristics

- Controlling

- History of abusive relationships.

- Diverts blame from self to others.

- Extremely jealous.

- Overtly authoritative to family members (significant other and children).

- Viewed as charming outside the home.

- Manipulative

- Abusive to animals.

Finding the right answer starts here.

Workplace Violence – Red Flags of Caution

- Impending layoffs, strikes, or any significant job site change (six times more likely to trigger workplace violence)
- Verbal threats and/or loud outbursts.
- Poor employee-supervisor relationship.
- Bringing weapons on Company property to "show to friends."
- Overt signs of depression and/or substance abuse.
- Withdrawal signs (e.g. change in appearance, taking personal pictures down, reduced communication level).
- Romantic obsession with a co-worker.
- Increase in tardiness, sick leave, and requests to depart early.
- Employee's expression of fear toward another employee.

Prevention

Workplace Perspective

- Management commitment to developing effective policy
- Pre-hiring checks
- Employee involvement
- Zero Tolerance Policy
- Risk assessment and Crisis Team
- Training
- Documentation
- Emergency Action Plans
- Employee Asst. Plan
- Reporting requirements
- Controlling access
- Communication
- Post incident response

Workplace Violence Prevention Program Elements

Management Commitment

1. (IMT) Incident Management Training

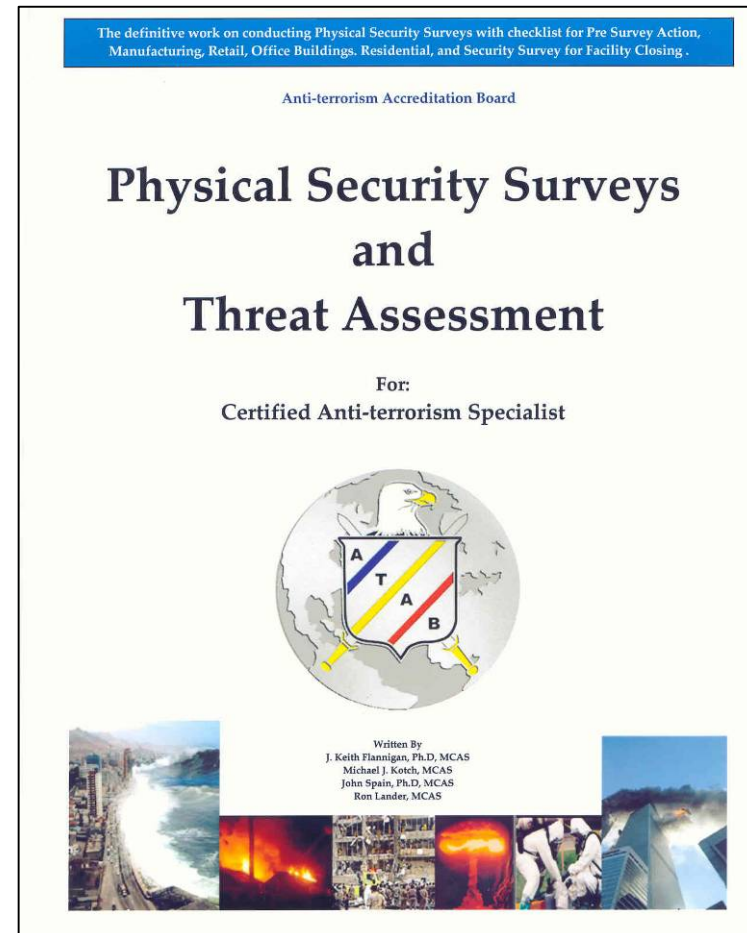2. Policy development, assignment of responsibility & authority

3. Training

Finding the right answer starts here.

Workplace Violence Prevention Program Elements

Worksite Analysis

1. Analyzing trends & incidents,

2. Conducting physical security surveys, and

3. Auditing the workplace security environment.

The definitive work on conducting Physical Security Surveys with checklist for Pre Survey Action, Manufacturing, Retail, Office Buildings. Residential, and Security Survey for Facility Closing .

Anti-terrorism Accreditation Board

Physical Security Surveys and Threat Assessment

For:
Certified Anti-terrorism Specialist

Written By
J. Keith Flannigan, Ph.D, MCAS
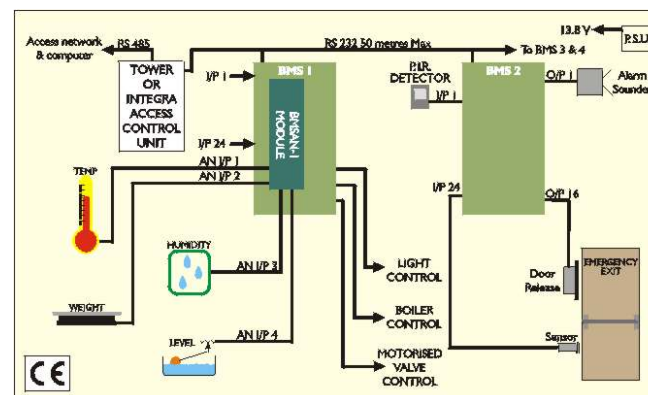Michael J. Kotch, MCAS
John Spain, Ph.D, MCAS
Ron Lander, MCAS

Workplace Violence Prevention Program Elements

Engineering Controls

1. The use of Access control systems, Alarms, video and

2. Systems, to reduce, deter and document situations.
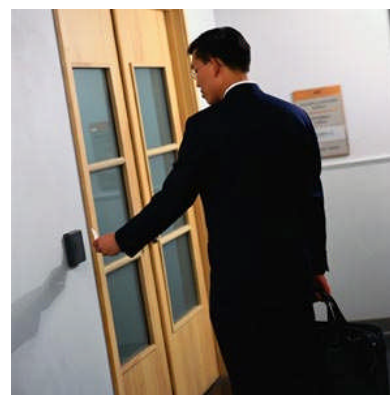
Workplace Violence Prevention Program Elements

Administrative and Work Practice Controls

Initiating pre-employment hiring policies to include Criminal and Civil Checks on all new hires and rehires.

Workplace Violence Prevention Program Elements

Employee Involvement

☑ to reduce risk of violence by including things such as Hot Lines to report internal situations.
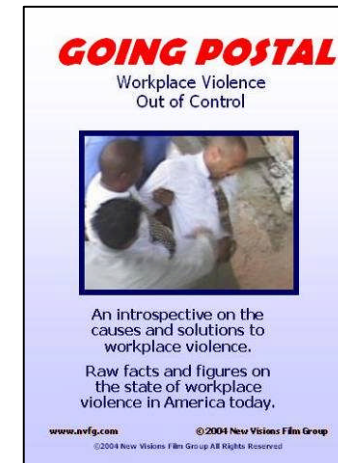
Your Hotline

1-866-529-9589

Workplace Violence Prevention Program Elements

Training and Education

1. Employee Awareness Programs to provide information to your employees with regard to

   a. signs of suspicious behavior

   b. indicators of potential problems.

Finding the right answer starts here.

Workplace Violence Prevention Program Elements

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Post-Incident Response is critical to a successful workplace violence program.

Workplace Violence Prevention Program Elements

Recordkeeping and Evaluation

1. help you to determine overall effectiveness

2. Identify deficiencies or changes needed to improve your program to make it more effective.

Summary

- Develop and implement effective policy
- Actively address workplace violence issues
- Assess the risk of violence
- Involve employees
- Consistently apply standards
- Document incidents & take threats seriously
- Create a zero tolerance policy
- Train all employees
- Remember you play a role

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Finding the right answer starts here.

Psychology of Fraud

Virtually all frauds start out …….small

- Many start by accident, when somebody "gets away with one" and realizes no one noticed or cared

- Even dishonest people do not come to work planning their next major scam

However, fraud is the "slippery slope"

Traditional Fraud Definitions

"Fraud is criminal deception intended to financially benefit the deceiver"

Source: *The Accountant's Handbook of Fraud and Commercial Crime*

"Fraud is a generic term, embracing all multifarious means which human ingenuity can devise, and which are resorted to by one individual to get an advantage over another by false suggestions or suppression of truth, and unfair way by which another is cheated"

Source: *Black's Law Dictionary How a Company Can Be Defrauded by Insiders*

Fraud Stats

- Fraud costs U.S. companies *$600 BILLION* each year and sometimes can be a catastrophic business risk for an organization
- Organizations lose 5% of annual revenue to all forms of fraud and abuse
- **44% of high dollar fraud is detected by tips**
- Less than 8% of perpetrators had convictions prior to committing fraud

  Source: *American Society of Certified Fraud Examiners Report to the Nation*

Finding the
right answer
starts here.

Who is Committing Fraud in Canada?

- Statistics
  - Internal – 69%
  - External – 20 %
  - Both – 11%
- 75% of fraudsters are men.
- Average employment of 3-5 years.
- 69 % between the ages of 30 and 49.
- 62% were below the level of management.
- 22 % were senior management.
- 73% acted alone.
- Education
  - 40% had no post-secondary education.
  - 30% had some post secondary education.
  - 26% had either a university degree or a professional designation.

Finding the
right answer
starts here.

Know What You Own

Fraudsters want:

- Cash

- Data that provide access to cash

- Intellectual property
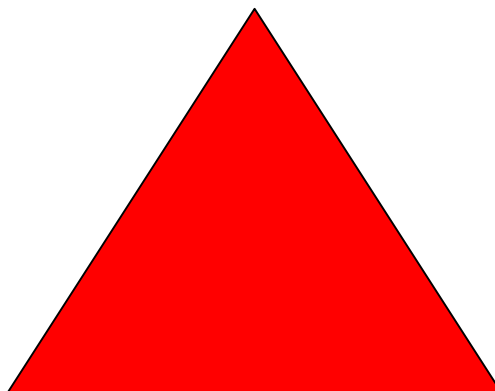
- Customer lists

- Customer data

- Trade secrets

The "Fraud Triangle": Why Does Fraud Occur??

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Fraud typically requires the presence of:

PRESSURE

OPPORTUNITY   **RATIONALIZATION**

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Finding the
right answer
starts here.

Fraud Triangle "red flags"

- **Pressure – organizational & environment**
  - Extreme competition or market saturation
  - Vulnerability to rapid changes (e.g. technology, interest rates)
  - Declines in customer demand
  - Significant new accounting or regulatory requirements

- **Pressure – organizational & internal**
  - Unreasonable board or senior management expectations
  - Recurring losses, negative cash flows
  - Rapid growth
  - Need for additional financing to stay competitive
  - Significant pending transactions

Finding the right answer starts here.

Fraud Triangle "red flags"

- **Pressure – on individuals**
  - Significant personal financial interest in the company
  - Compensation contingent on achieving aggressive goals
  - Personal guarantees of company debt
  - Personal financial strains
  - Desire to "please the boss"
  - Unhealthy desire or competition for advancement

Fraud Triangle "red flags"

Opportunity

- Nature of the company or its industry is complex

  - Industry dominance (e.g. Wal-Mart) - pressure they can exert on suppliers

  - Highly complex transactions

  - Many accounting estimates requiring subjective judgment

  - Related parties are common

- Ineffective monitoring by management

  - Domination by a single individual (without compensating controls)

- Complex or unstable organizational structure- also decentralized operations

  - E.g. high turnover of senior management, board, legal counsel

- Deficient internal control components

Fraud Triangle "red flags"

- Rationalization (or "attitudes") - "convincing yourself that it's somehow o.k."
  - Usually with less than objective reasoning
  - If organizations rationalize things, then the culture signals to individuals that it is acceptable:
    - Ineffective communication or enforcement of company values, ethical standards
    - Committing to & supporting unreasonable financial performance targets to analysts or other outsiders
    - Underperforming compared to others in industry, and assuming that other companies are somehow fudging their numbers, too
    - Failure to correct known control or compliance problems on a timely basis

Control Procedures – Common Control Techniques

PREVENTIVE CONTROLS

- Segregation of duties
- Safeguard of assets
- I.T. access controls
- Authorization controls
- Data input validity checks
- Outsourcing of some categories of processing

DETECTIVE CONTROLS

- Independent confirmation of significant transactions
- Reconciliation controls
- Periodic customer statements or confirmations

3 Phases of an Anti-Fraud Program

Deterrence:

- Whistleblower Program – most effective method is a "Speak Up" line
- Incident Response/Disciplinary Examples
- Oversight- strong independent audit committee
- Risk Assessment (including determination of risk ownership)
- Internal audit
- Data analysis

3 Phases of an Anti-Fraud Program

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Prevention:

- Tone at the Top
- Value System/Code of Conduct
- Positive Workplace environment
- Hiring/Training /Awareness/Communication
- Whistleblower Program

Detection:

- Monitoring
- Computer Aided Tools
- Loss Mitigation- effective and timely response
- Whistleblower Program

Five Best Practices

- Establish the tone at the top
- Focus on prevention rather than detection
- Constant communication throughout organization regarding code of ethics, monitoring activities and zero tolerance culture.
- Effective whistleblower procedures and reporting and case management
- SOD and SOA and frequent performance of anti-fraud audits

Five Worst Practices

- No tone at the top
- Negative workplace environment
- No support for positive behavior
- Lack of punishment for violations
- Autocratic vs. participative management

Becoming a Hard Target for Fraud

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Fraud Prevention Program Components

- Board and Management Commitment to the Process

- Seeing and Reacting to the Red Flags

- Monitoring and Prevention Techniques

- Response Plan

- Continuous Staff Training and Education

- Annual Independent Fraud Check –Up

- Designing performance targets and employee compensation that does not encourage unethical behavior – or increasing awareness of fraud risks in this area

- Whistleblower program

Finding the
right answer
starts here.

Whistleblowing

Detection of Occupational Fraud

- The average fraudulent scheme lasts 18 months before being detected.

- The most common method for detecting occupational fraud is:
  - **by a tip** from an employee, customer, vendor or anonymous source.

- The second most common method is
  - by accident!

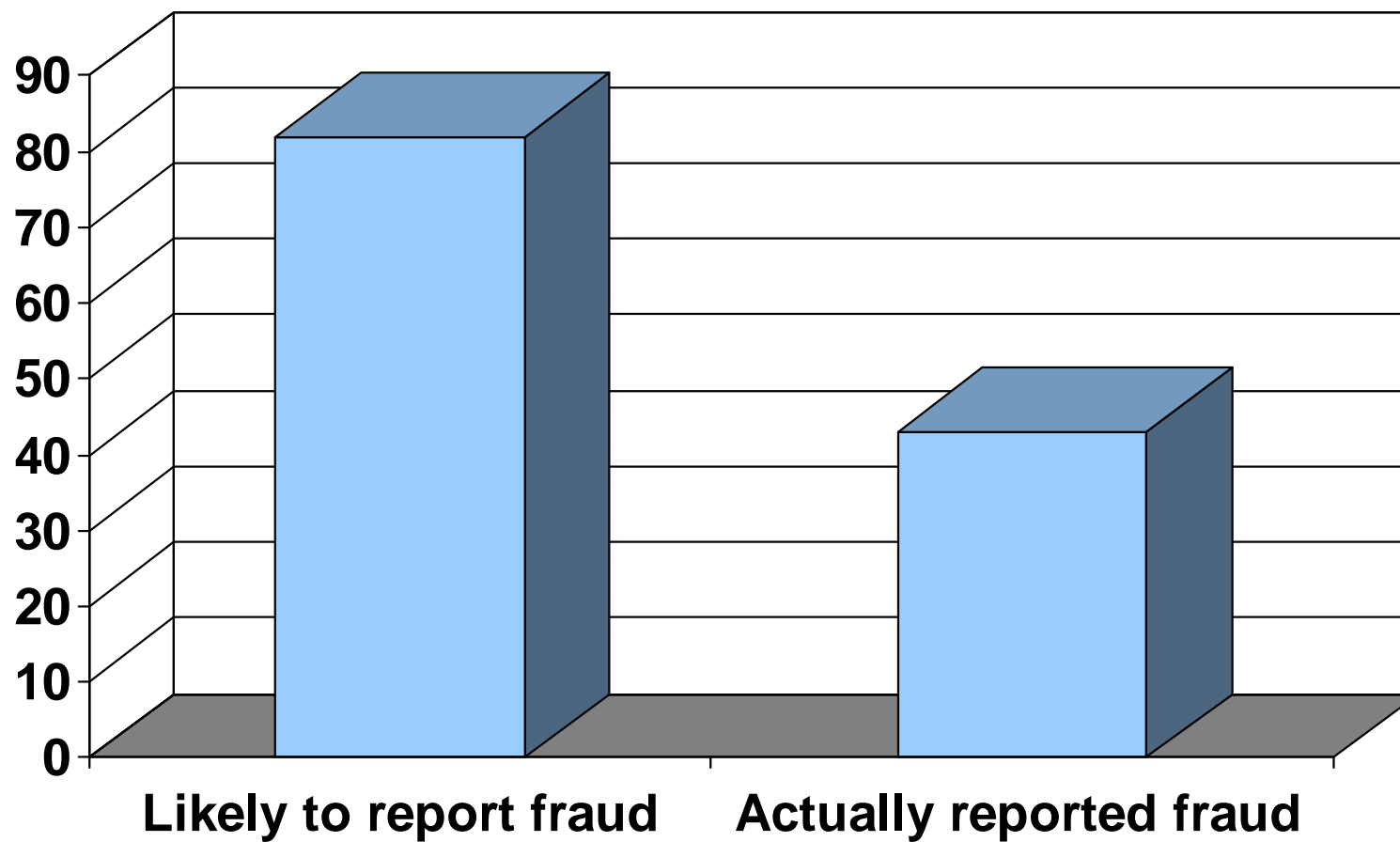# Fraud and Workplace Violence in the Workplace Survey

- One-fifth *(21%)* are personally aware of fraud in their workplace during last year activities

- 80% of employees say they would report on a co-worker stealing from employer

- Of those who've had the chance, less than half *(43%)* actually did

Finding the right answer starts here.

Reasons for Not Reporting

- They found out after it was already known by others (≈25%)

- They were concerned about their own position (≈25%)

- Other reasons?

  (Those who knew of fraud and didn't report it)

Who Benefits When There Are No "Whistleblowers"

- **What avenues are available to genuine Whistleblowers?**

  – Do nothing

  – Go outside the organization – *(regulatory agencies, police, etc.)*

  – Go to the Media *(desirability)*

  – Leave the organization

  – Report internally

What Constitutes a Good Capability

- Structural Elements*
  - Commitment
  - Whistleblower Protection Policy
  - Resources

- Operational Elements*
  - Appointment of designated officers *(Protection Officer, Investigation Officer)*
  - Independence
  - Reporting Mechanisms
  - Confidentiality
  - Communication with Whistleblowers
  - Investigation
  - Code of Conduct

What Constitutes a Good Capability

- Maintenance Elements*
  - Education and training
  - Visibility and communication
  - Review
  - Accountability *(performance standards)*

  * Source: *AS 8004-2003*

Finding the right answer starts here.

Management Blockages

- Concern about stirring up issues – "Releasing the Genie"

- Concern about backlash from employees and representatives

- Nothing good can come from this

- Admitting that all may not be perfect

Internal vs External Capability

Internal Facility

- "In-house"
- Cost issue
- Integration and knowledge
- Reporting systems alignment
- Lack of trust
- Confidentiality
- Fear the matter will be covered up
- Loss of respect
- Labeled as disloyal
- Ready access to internal information and free to collect
- "Monopoly" on information – potential to stifle investigation and escalating concerns

Internal vs External Capability

External Facility ("hot line")

- Experienced interviewers
- Independence
  - No voice recognition
  - Trust
  - Established and agreed protocols to report at the highest levels
  - Feedback to caller
- Dedicated service
- Guarantee of anonymity (absolute need)
- Identify investigative options
- Provides an option other than silence or "public disclosure to the media"

Winds of Change

- Whistleblowing should be seen as a means to:
    - deter wrongdoing;
    - promote transparency and good governance;
    - underpin regulation; and
    - maintain public confidence

- Essentially, whistleblowing, in the current form, is seen as a means to deliver good management, to maintain public confidence and to promote organizational accountability

Winds of Change

- What is the answer/best course to adopt?

- In our view a combination of both internal and external facilities
    - This is about providing the maximum opportunity for people with a genuine concern to ventilate the issue
    - Both systems are not mutually exclusive
    - Personal preference and "comfort level" will be a strong determinate as to which course of action a Whistleblower will adopt
    - Providing both facilities demonstrates a commitment to good governance
    - It also acts as a significant deterrent to wrongdoing
    - Establishment of an external ethics alert hotline protocol

MNP Ethics Alert

- **An External Hotline that offers:**
  - Independent service provider
  - 24/7 accessibility, 365 days a year
  - Bilingual operators
  - Complete confidentiality
  - Thorough follow-up by an experienced investigator
  - One number hotline for reporting
  - Access to the hotline should be FREE

Finding the right answer starts here.

Questions and Comments

Scott Crowley

(416) 260-3277

scott.crowley@mnp.com

Cliff Trollope

(416) 515-3851

cliff.trollope@mnp.com

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